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EDITOR · R PALME DUTT

The Government and the Crisis
R.P.D.

What To Do Arthur Horner

Anglo-Soviet Negotiations
Quaestor

Book Review—Thirty Years Ago
William Gallacher, M.P.

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The Government and the Crisis

SO the showdown has come. Britain is in the vortex; America is plunging towards economic crisis; the Marshall bubble has burst and only revealed the hopeless contradictions of the Western Bloc manipulators. In contrast, the picture of stable reconstruction and continuous economic advance comes from the side of the Soviet Union and the lands of Eastern Europe which have chosen the path of the new democracy and were not misled by the Marshall mirage. The period of illusions is ending. Every warning and prediction of the left where the disastrous Churchill-Bevin policy would land this country is more than fulfilled by the present situation. The formidable gravity of the facts can no longer be denied. But the awakening still lags far behind the speed of events.

Rake's Progress

The real crisis is only beginning. The first signal of the fuel crisis earlier in the year delivered a temporary shock to complacency. But the shock was short-lived; its effects melted with the melting of the snows; the lesson was not learned; the main course remained unchanged. Margate revealed that the main body of Labour supporters still slumbered in a dreamland of confiding trust in right wing leadership, cheering the empty theatricalities of Bevin even more thunderously than MacDonald used to be cheered, swallowing the suicidal dose of "Cards on the Table" Foreign Office poison, triumphantly routing the left and banning the Anglo-Soviet friendship movement—without the slightest realisation of the rocks in front. Six months ago the *Daily Herald* expert economist, Douglas Jay, M.P. (March 10), was pooh-poohing suggestions of "any mysterious 'economic crisis'" ahead or "wild talk about the alleged rapid rate at which the American loan is being used up," and comfortably calculating on the continuance of the loan till the middle of 1949. By August 4 the same writer in the same journal was producing a feature article under the title "The Crisis—Its Cause and Cure." Six months ago the Government's "Economic Survey for 1947" was denouncing "totalitarian planning" and opposing to the left demand for an overall economic plan the hoary liberal free market doctrine that "our special economic conditions" are based on the principle that "the decisions which determine production are dispersed among thousands of organisations and individuals"—without an inkling that within a few months they would themselves be driven to introduce compulsory measures which the Tories would in identical terms denounce as "totalitarian."

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Over the Precipice

Triumphantly the Cabinet, amid Tory cheers, defeated the left demand to cut down the senseless extravagant overseas expenditure on swollen armed forces maintained to police the world in the interests of reaction and brandish the big stick in the face of the Soviet Union. A "firm policy," "no appeasement," "get tough with Russia," "hold on in Greece," "reject Egypt's demand for withdrawal of troops," "our interests in the Middle East," "arms and planes for Dutch imperialism," "Heil the Truman Doctrine"—and all the rest of the grand Tory strategy, solemnly repeated by obedient Labour Ministers, won the day. The opportunity of the Moscow Conference to reach a united democratic settlement on Germany was thrown away in favour of the Anglo-American front (in practice, American front with a tightening squeeze on Britain) for building up the Ruhr and Western Germany. As the accelerating disappearance of dollars began to arouse alarm, Bevin plunged to swallow the Marshall carrot dangled before his nose; everything would be all right; if the Soviet Union and the Eastern European countries chose to count themselves out from a share in the expected largesse, so much the worse for them; Uncle Sam would never let down his faithful British henchman; the dollars would soon arrive. Buoyed up with hopeful draughts of Marshall's Elixir, the Cabinet proceeded to turn down the British-Soviet Trade Agreement, which would have solved the greater part of Britain's wheat import problem, on the profound penny-wise grounds that the reduction of the rate of interest on the 1941 wartime credit would have meant foregoing four million pounds over a period of years (or less than one day's dollar withdrawals at that time). In face of all warnings, not only from the left, but from many quarters, of the inevitable consequences, on July 15 the Government went ahead with carrying out the Loan Agreement provision to make current sterling balances convertible to dollars. Then the smash came.

Reaping the Whirlwind

Why did the "crisis"—as everyone now began to call it without beating about the bush or searching for polite synonyms—suddenly flare up in the second half of July? The rate of dollar withdrawals, which had averaged $100 million a month in 1946, and gradually risen to $166 million a month in the first quarter of 1947 and $316 million in the second quarter, in July—the month of convertibility—leapt up to $700 million, equivalent to an annual rate of £2,100 million or more than double the total American loan. The July rate was equivalent to using up the total loan in less than six months. The sombre outlook could no longer be concealed with sunshine speeches. There was no longer any question of the loan lasting five years, as originally proposed; or three years, as the Government now claim they had hoped; or even, as the most pessimistic critics had predicted, to the end of the year or the beginning of 1948. Its exhaustion loomed ahead in a matter of weeks, "probably in the month of October,"

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according to Dalton. The cards were on the table with a vengeance—the real ones, not the faked ones. At the same time the deficit on the balance of payments for the first half of 1947 was running at £700 million a year, and the dollar deficit at £810 million a year. In face of this situation the stock market slumped; ordinary shares fell ten per cent. in a week; the *Financial Times* Index of ordinary shares fell from 136 in January to 119 by the end of July; the new Two-and-a-Half per cent. Treasury Stock, issued at 100 less than a year ago, tumbled to 83; the drop in security values was estimated at £1,000 million in a week on the total of £24,000 million security values handled by the Stock Exchange; there had been no such slump since Dunkirk.

Where Do We Go From Here?

If the loan ends in October, and we are running a deficit of £700 million a year, what happens next? No clear answer was forthcoming. It was pointed out that there still remains £125 million of the Canadian loan; but Canada is also suffering from dollar scarcity, and withdrawal is difficult. It was suggested that the International Bank might be drawn on for £80 million a year for four years; but the American controlling authorities subsequently hastened to make clear that the International Bank was not intended to provide credits for this kind of crisis. There remains £600 million of gold and foreign exchange—and then, rock bottom. A new loan? The prospects were revealed to be hardly promising. The Marshall pie-in-the-sky remains pie-in-the-sky—with a firm intimation that Congress will not meet till January of next year, and nothing can in any case happen till 1948. No: the hard facts of the crisis could no longer be side-stepped. The Cabinet met in constant session, only to reveal the hopeless contradiction of conflicting policies cancelling one another out. A drastic cut in the forces was contemplated; then the pressure of the Foreign Office and the services was resumed, and the cut in the forces dwindled to a bagatelle. By the beginning of August a special parliamentary debate was arranged to hear the Government's plan. With expectation keyed up to face the crisis the people awaited the Government's plan.

Bankruptcy of Diagnosis

Then came the anti-climax. Ministers poured out their hard-luck stories to blame everything for the crisis (the war, the two wars, the inter-war years, the hard winter, the rise in dollar prices, the "failure" of "some workers," etc.) except the one glaring immediate cause which everyone knew accounted for the greatest part of the deficit—the Tory-cum-Right-Labour imperialist policy which had squandered hundreds of millions in foreign adventures and subsidies, while neglecting the crying needs of planned home reconstruction and allowing profits and luxury spending to rise sky high. This policy had led to its predicted outcome, as set out and emphasised and repeated with damnable iteration over the past two years in these

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pages, in the menace of bankruptcy. But to these obvious facts, which were arousing burning controversy throughout the Labour movement and in popular opinion, an obstinate blind eye was turned. This bankruptcy of diagnosis led to an inevitable equal bankruptcy of positive measures to meet the consequent crisis.

Bankruptcy of Programme

When it came to positive measures to meet the situation a "yawning gap" was revealed not less alarming than the "yawning gap" which Ministers described in the balance of payments. The Government proposed cuts in food imports amounting to £144 million and cuts in other imports amounting to about £50 million. How was the remainder of the £700 million trade deficit and £800 million dollar deficit to be met? No concrete programme was set out. The Government proposed that exports should be increased to a level equivalent to Britain capturing something like two-fifths of the world market represented by total world imports of manufactured goods—at a moment when the first signs of dwindling of the sellers' market were beginning to appear, when every industrial country was desperately seeking to expand its exports, and when the United States above all, faced with shrinkage of its domestic market, was entering on its most formidable exports drive. The Government proposed that production targets should be raised ("targets" are not the same as a plan) at a time when the fulfilment of the existing targets was under considerable doubt. But the armed forces? While it was proposed that the half million overseas should be reduced to 300,000, the only aggregate reduction proposed in the total for March of next year was from 1,087,000 to 1,007,000, or a grand cut of one-fourteenth. The Government hurried through a bill to take wide emergency powers for administrative action by decree during the crisis; but when it came to a question of what plan the Government had in mind to make effective use of these powers, Mr. Morrison replied:

> "The Government had no preconceived notions how precisely they would use it, but what they needed was the power."

Only one thing was certain. No change was intended in the fatal policy which had played the main part in bringing on the crisis. Mr. Attlee stated:

> "There is no change in our defence policy or in the foreign policy underlying that policy."

The road to ruin would be continued to the end.

Gambler's Nemesis

It is an old story that the gambler, after having exhausted the assets of the home, imperiously demands sacrifices of the wife and children in order to meet the plain hard facts of the family emergency, and proceeds to cut the housekeeping allowance—in order to continue his gambling. The people's food is to be cut £144 million. They have a right to demand for what. In order to help to put Britain on its

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feet? Or in order to pour out more millions to maintain monarchist fascism in Greece and supply planes and arms for Dutch imperialism to hurl death on the Indonesian people? In order to end "the dollar grip" spoken of by Mr. Bevin when addressing a trade union audience? Or in order to continue to pay for the luxury dollar imports of the rich, actually increasing in volume in the midst of the crisis?

"Just Arrived"

Read *The Times* of August 18 to see the true picture of Britain in Crisis. On all the news pages and editorial pages dithyrambs of woe, speeches, exhortations to tighten the belt and sweat and toil in order to overcome the dollar deficit. And in the advertisement columns this little tasteful gem as appropriate comment:

JUST ARRIVED!
COLLECTION OF AMERICAN FROCKS
Charming Styles — Beautiful Materials

Shoppers should lose no time in seeing these exquisite little dresses—each one a shining example of American cut and chic

"Just Arrived"—only a few days too late for the House of Commons debate. Let us starve, but let us have "American chic." How can the Government complain of lack of response of the workers to work harder to fight for the dollars, when the dollars are spent like this? How can they expect a response from the people, when their only approach to the profiteers responsible for spendthrift extravagance is to "appeal" to them (Mr. Attlee's words) to "refrain from declaring high dividends." For the workers, compulsion. For the capitalists, "appeals." Is this the attitude of a Government based on the Labour movement?

Where the Loan Went

It is no use speaking of the deficit on Britain's balance of payments as if it were a kind of natural physical inevitable fact, independent of Government policy or responsibility, when everyone knows that the greatest part of the deficit is not due to imports for the needs of the people or reconstruction, but to a foreign policy of overseas military expenditure and subsidies. When Churchill declared in his Blenheim Palace oration that:

> "Since the war we have spent or loaned abroad without any return over £740,000,000, or more than the total we have so far spent from the American loan,"

he was making a highly unscrupulous demagogic use of the consequences of a policy for which he bears the main responsibility (for Bevin, Attlee, Morrison, Alexander and the rest have been no more than docile agents of Churchill's policy, and not its originators); but on the facts there was no attempt at an answer from the side of the Government.

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Blind Trust in Uncle Sam

Only one explanation of the glaring discrepancy between the Government's programme to meet the deficit, as set out in Attlee's statement of August 6, and the actual deficit, or of the obstinate refusal to make any serious cut in the armed forces, in face of the plain facts and figures of bankruptcy, or of the refusal to consider emergency measures to suspend convertibility even when it was manifestly draining away the last dollars at an accelerating pace, can be seriously considered, if we are not to assume a verdict of " Suicide while of Unsound Mind." It is evident that to the last the Government banked their hopes on the expectation that the dollars would be forthcoming, that Uncle Sam would not let them down. They have remained to the last the prisoners of their obstinate obsession, which has governed their whole post-war world policy, that the hard-faced moneylenders of Wall Street are the natural friends and allies of a Labour Government, while the working people's government of the Soviet Union is Enemy No. 1. Blinded by ideological prejudice in favour of the " freedom " of monopoly capitalism and against the " totalitarianism " which in common with the Tories they use to describe socialist organisation, they have remained oblivious to the central fact of the post-war world situation, that it is United States imperialism which, under cover of violent anti-Soviet tirades to keep Britain and the Soviet Union apart, has in every sphere directed its heaviest economic and financial pressure against Britain and the British Empire, while it is the Soviet Union which has held out a helping hand, as in the recent offer of six million tons of wheat.

Cold Douche from Washington

These illusions have received a rude blow on the chin from the current negotiations in Washington. Mr. Snyder demands his pound of flesh. Mr. Snyder, upright man, believes in " strict interpretation of agreements without regard to consequences." (*The Times,* August 19). " Mr. Snyder wants to know how the British propose to help themselves; he is particularly interested in coal production." (*Daily Telegraph,* August 19). The Marshall Plan? An American delegate hastens to explain:

> " We cannot fit any country into a preferential position under the Plan."

Britain must take its turn in the queue with the other European pauper applicants at the relieving officer's door, and under the Means Test. *The Times* ruefully comments:

> " Thus the Marshall Plan appears to be getting house-rules and by-laws before it has a constitution or membership."

The International Bank? The American delegates hasten to explain that its control is in American hands and they cannot conscientiously approve of its issuing credits to Britain for this kind of crisis for which it was never intended. No. The stranglehold is

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tolerably secure. There are no loopholes. Mr. Bevin has had his ride, and now the sucker has reached his destination. Soft soap is suddenly replaced by the curt language of the showdown. "It is prophesied that the Americans are going to be 'tough,' and it is reported that the British are already pessimistic." (*Manchester Guardian,* August 20). It was so exhilarating to join in the hue-and-cry "Get Tough with Russia"—even though it failed to produce a quaver on the Soviet side. But it feels different when the toughness begins to be turned the other way. The victim casts frantic eyes for a way of escape. But the ways are barred. The pieces are all in position. It is check and mate—so long as the game is played according to the old rules.

The Price

Blood is thicker than water—but dollars are thicker than blood. The brotherhood of the Anglo-Saxons is now displayed to the world, who presented themselves as divinely appointed world leaders and saviours. America has won the round, and Britain must pay. The time has come to dictate the terms. Britain has been troublesome at the International Trade Conference at Geneva. That must end. Imperial preference must go.

> "It is predicted that the British Government will now be under considerable pressure to agree to the modifications of the trading system within the Commonwealth which the United States would like to see." (*News-Chronicle,* August 20).

How all the sapient commentators, Conservative, Liberal and Labour, united in a single chorus to pour scorn on the "crazy Communist suspicions" that the Marshall proposals and American credits might involve interference with the domestic programmes and sovereignty of the countries concerned. Let them reprint their comments today. The laugh is turned the other way. "Challenge to State Control is Coming" screams the *News-Chronicle* across its front page; the United States "frankly questions whether nationalisation is not retarding domestic recovery." Mr. Snyder questions, gleefully reports the *Daily Express*: "Is Britain under Socialism still going to be a going concern?" More soberly *The Times* reports:

> "The odds are that the Washington talks will not get very far without fresh decisions by the British Government in the sphere of general domestic policy."

The fight is in the open. Either surrender to Wall Street dictation on British domestic policy, with any future British Government a bailiff of the American overlords. Or to face the alternative and win the battle for British independence—which means a drastic revolution of policy, internal and external, with political consequences.

Facing the Alternative

The British people will not go down in defeat. They will not accept dictation. But there is no time to lose. The twelfth hour has passed. The Government's present programme cannot solve the

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crisis because it does not tackle its causes; because it still clings to the old discredited foreign policy and military and strategic policy in the wake of American imperialism, whose crippling burdens underlie the present crisis; because it still subordinates British economic policy to the requirements of the American monopolists; and because it still subordinates home reconstruction to the interests of the British monopolists. A basic change in major policy is now indispensable; and this cannot be replaced by a piecemeal programme of unbalanced cuts which can paralyse production, while leaving the burdens of colossal armed forces and waste expenditure untouched. Immediate measures have now to be taken very much more abruptly than would have been necessary two years ago. The problems have been exacerbated by the disastrous policies of the past two years in the orbit of American imperialism to a now very ugly emergency, which will inevitably cause hardships and a transition period of heavy strain and endeavour. But the problems, even assuming the most uncompromising and unhelpful attitude of the American monopolists, are not insuperable. On the contrary, the basic problem of Britain's capacity to maintain a high and rising standard of life by its independent economic and productive strength, without dependence on tribute, subsidies or pensioner's allowances, is not only capable of solution, but has for years been crying aloud to be tackled; and we can even be thankful for the unhappy emergency which now compels it to be tackled. In reality, the most favourable conditions of resources and skilled productive strength exist for its solution, far more than in many more heavily war-devastated European countries which have been making signal progress; and we can go forward in close association with many countries which are tackling similar problems in a planned fashion.

A Positive Programme

A basic change in major policy is indispensable, as the foundation for a concrete programme of economic planning. It is necessary to cut the burdens which paralyse recovery, to restore Britain's freedom of action in foreign policy and in international economic policy, and to enter on a far-reaching programme of internal reconstruction for productive advance. In foreign policy the fatal post-war line which abandoned the wartime Three-Power co-operation in favour of the Anglo-American power-political alignment against the Soviet Union and world democratic forces, with the consequent costly burden for Britain, must be completely transformed into a policy of full co-operation with the Soviet Union and all advancing world democratic forces, thus assisting the victory of progressive democracy over the present dominance of reaction in the United States, and preparing the way for the resumption of full and effective Three-Power co-operation as the basis of world peace. In international economic policy a programme of close co-operation needs to be developed between Britain, the

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WHAT TO DO

By ARTHUR HORNER

RECENT events have sharply brought before the people of this country the critical economic and financial situation that faces Britain. In these weeks masses of people who hitherto have remained untouched by the warning voices that have been raised, have now been brought to a realisation of the fact that really serious measures have to be introduced.

It is not surprising that capitalism has presented the world with a new crisis, an economic crisis that has a special significance for Britain, which is the oldest capitalist country in the world. It is precisely because a capitalist economy first developed in Britain that her basic industries are technically more backward than is the case in other capitalist countries. Therein lies the special problem which faces Britain.

Periodic crises are inherent in the capitalist method of production, which arise from inescapable contradictions which develop between the different elements in capitalist society. One of the biggest contradictions that now arises with new force is the conflict which exists between the capitalist class and the working class.

This position arises after a world conflict in which the material resources, especially capital equipment, of the chief protagonists were used up at an unprecedented rate. During this conflict the energies of millions of producers were for years divorced from production of real goods and services, the consequences of which should have been faced and prepared for. This failure to take the necessary steps has rendered more acute the problems that have to be faced. The responsibility rests upon the shoulders of those who are responsible for the direction of Government policy in the post-war period.

Within the general crisis, it must be recognised that the end of the war presented the various nations involved with varying economic problems. Nevertheless, with the exception of the American Continent, and particularly the United States of America, the nature of these problems does not differ fundamentally in principle. Most of the countries were confronted with grave shortages of the essentials of life, such as food, clothing and shelter, and this situation still obtains.

In the United States of America, however, a quite different set of circumstances exists because the United States of America is a power whose economy actually benefited as a result of the war. It can be said that its peace-time productive capacity was not seriously interfered with, nor was its territory subjected to damage from enemy action. In fact, it can be asserted that as far as the U.S.A. was concerned the intervention of the war actually postponed the development of a crisis of over-production. Such a crisis is now certain to emerge in the U.S.A. in the very near future. This crisis will be stimulated by

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the circumstance that a mass of surplus productivity was utilised during the war period without in any way altering the class relations that existed in that country, thus avoiding widespread unemployment in the midst of plenty, which is characteristic of capitalist society.

The outstanding fact which emerges from a consideration of the developing crisis throughout the world is the uneven capitalist development which, although it was a marked feature before the war, has been enormously stimulated as a result of the war and raises the sharpest problems in the political and economic sphere. Thus on the one hand a very large part of Europe exists on the verge of destitution, while on the other hand in the American Continent there exists unparalleled superfluity of goods. In Europe the problem is to produce the means of life for those countries devastated by war, and this needs to be done as rapidly as possible.

The question that faces the people throughout the world is how to overcome the crisis; how to provide food, clothing and shelter for the mass of the people, especially in Europe, who are undergoing semi-starvation.

In viewing this problem it must be recorded that it is fortunate for the peoples of Europe that one-sixth of the earth's surface has passed out of capitalist control. In the Soviet Union the means of production, the land, the banks, the factories and the workshops are firmly held in the hands of the Soviet peoples. The laws which operate in a capitalist society develop into over-production and the creation of unemployment with the consequent poverty of the people. These laws do not and cannot apply in that part of Europe which is embraced by the Soviet Fatherland.

For this reason it has been possible in the U.S.S.R. to take the steps that are necessary for the re-development of the economy ravaged by the war, and by launching the fourth Five-Year Plan based on socialist principles, to prevent the development of an economic crisis which is peculiar to the capitalist method of production. This explains the ability of the U.S.S.R., which suffered greater devastation than any other country, to contribute towards a solution of shortages of goods in other countries, such as meat, timber, etc.

Although the crisis which is developing will become more acute than the crisis which developed after the war of 1914-18, the end of the second world war has brought about quite significant features which were not present on the last occasion. Thus, countries which were on the borders of the Soviet Union were part of an anti-Soviet ring. Now such countries as Estonia, Latvia and Lithuania by voluntary action on their part have become part of the Soviet Union. Moreover, countries which at the end of the last war were part of an anti-Soviet block, such as Poland, Finland, Rumania, Bulgaria, Yugoslavia and Czechoslovakia, have entered into the most friendly relations with the Soviet Union. They have done so because, having passed through the cruel school of war and Nazi occupation, they now recognise the true character and value of friendship with the Soviet Union. They

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find that close friendship with the Soviet Union gives them an association with a country which supports their independence and displays a readiness to assist them in the solution of their economic and other problems. Although none of these countries has as yet established a socialist society, they have learned a good deal from the Soviet Union and rest on the first socialist country in the world for support. This is very good for the peoples in these countries, because it enables them to draft their own plans of recovery entirely free from the threat of interference from outside influences.

This explains why such countries as Poland and Czechoslovakia are able to make such rapid strides in recovering the economy of the country, a recovery based upon the enthusiasm of the mass of the people in these lands who learnt during the world conflict that it is not the Communists and the workers, but the capitalists and landowners who collaborated with the invaders against their own nationals. These elements have now been dispossessed of their property and are thereby prevented from further exploitation of the mass of the people.

One of the outstanding features of the present world economic and political situation is the attempt that has been made to frighten these countries away from friendship with the Soviet Union, especially by the corrupt influence of the capitalist class in the U.S.A., who, swollen with the gains of war, attempt to hold out in the most tempting fashion in the form of the Marshall Plan, promises to aid those countries in their recovery. The peoples in these countries, however, realise that any immediate help they may obtain in the transition period by American aid can only be secured at the price of their independence. They have refused to be drawn into the camp of United States imperialism, recognising that it is an attempt to build up a new "Cordon Sanitaire" against the Soviet Union. It is very clear that these neighbours of the Soviet Union now realise from experience that such a policy is not in the best interests of their country. They realise that the hard way is the correct way, and that only by working to an economic plan can they forge a path which will isolate them from the post-war economic crisis that will affect the capitalist world. Thus, in a great part of Europe a new relationship of friendship with the Soviet Union is being established which is aimed at a rapid economic recovery and the maintenance of peace for many years to come.

On the other hand, Germany represents a country divided against itself. A section of the population under the influence of Social-Democratic and People's Party (Vatican) propaganda have proved susceptible to corrupting influences arising from the acceptance of the false premise that their best hopes lie in conditional aid from the monopolist interests of the U.S.A. and of Great Britain. They have not yet understood that attempts are being made to erect a new Cordon further west, behind which it is hoped to establish a dependent economy which can and will be used against the new democracies and the U.S.S.R. as well as against France and the Low Countries, and

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also the peoples in Scandinavia. Such efforts must be resisted by all means and efforts made to assist the Germans to establish a united nation, free from foreign influences, under a Government chosen by the people who have learned the lesson of history, viz., that there is only one way of life left for them, the Socialist way.

There remains our own small island based on 45 million people, a nation which, in the past, has built up a standard of living under conditions which no longer exist. In Britain we must find new ways of maintaining our living standards. The people in Britain must recognise that the income from foreign investments has been drastically reduced; that the receipts from shipping are much lower, and most important, the fact that our coal exports are practically non-existent, which means that the income which was received in the past from this source is at the moment no longer available.

We must ask ourselves the question, what needs to be done if we are to maintain or even improve our present living standards in these islands. Coal is one of our major assets. We also possess one of the most experienced and highly skilled working classes in the world. Moreover, it is true to say that we enjoy the best all-the-year-round working climate of any country, which makes it possible for the maintenance of continuous productive operations throughout the year without any seasonal interruptions. This island, moreover, with its many harbours, is well situated for trade through sea transport, which is the least costly form of traffic, with the other nations of the world.

Against this Britain is unable to grow sufficient food to feed the peoples of these islands and many raw materials, such as iron-ore, cotton, rubber, oil, etc., have to be imported. The positive factors need to be balanced against the negative, and it should be the primary aim of our economic policy to utilise to the full these positive factors in our economy.

What does this mean? It means that we in this country have to have an all-round economic plan comprehensive enough to meet the needs of the situation. No amount of aid from the U.S.A. can remove the necessity for this important step. We must recognise that only by taking the hard road will it be possible for us to feed, clothe and house the people, while at the same time safeguarding the independence of our country.

It means that people must work in the basic industries and the population of the country be brought to a realisation of the serious nature of the tasks which face the country. It is necessary to concentrate adequate manpower and materials on the vital industries. This, of course, will create certain inconveniences for many people. This discomfiture cannot be allowed to interfere with the measures that have to be taken. Too many people are employed in luxury trades and services and too few in industries which provide the basic necessities of life. What is to be done?

There must be a complete break with present policies. If we are to guarantee the independence of our country and the prosperity of the

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British people, there must be complete re-organisation of the economic life at home and also a change in the Government's policy and economic relations with other countries.

At home, as has been indicated, coal is at the heart of the problem. If the Trades Union Congress's proposed target of 220 million tons is to be secured three things are necessary. Recruitment to the mines must be speeded up; there must be a rapid planning of development and priority in all Ministries for coal production requirements.

In addition to this plan for coal the Government must have a full economic plan covering Britain's key industries, such as steel, power, agriculture, engineering, textiles, building and building materials. The Government should secure sufficient control over these industries to direct operations into the most efficient method.

With regard to manpower, every necessary step should be taken in conjunction with the Trade Unions to ensure the workers are attracted to the undermanned basic industries. In addition, on the basis of support for the democratic forces throughout the world, the armed forces should be radically reduced. This should be simple, because quite apart from other considerations, any question of waging war is for Britain unthinkable for at least ten years. She does not possess the means to do so except that she may become a base for another country's operations, in which case the people of this small island will be obliterated in a very short time, because Britain is more susceptible to destruction through atom bombing than almost any other country.

The Government should also seek to obtain the closest trading relations with the Soviet Union and the new democracies in Europe. Moreover, it is essential if recovery is to be secured, that a firmer attitude should be taken in our economic and political relationships with the U.S.A.

Britain can play an important part in securing the recovery of the world if it takes the lead in the directions indicated. There are throughout the world millions of people who desire to see the establishment of democratic and progressive states, and it should be the aim of our country to assist these peoples to secure these aims.

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ANGLO-SOVIET NEGOTIATIONS

By QUAESTOR

TRADE negotiations between Great Britain and the U.S.S.R. went on in Moscow for eight weeks, from mid-April to the beginning of the second week in May, and from June 21 to July 25. Their basis was laid during Bevin's stay in Moscow for the Council of Foreign Ministers. He agreed with Stalin that Britain would supply rails, rolling stock and other equipment for the timber industry, while the U.S.S.R. would supply timber in return. Later, additional deliveries were discussed on both sides: steel tubes for the oil industry from Britain, grain and tinned fish from the U.S.S.R. At the same time, Britain agreed in principle to revise the dates of repayment and rate of interest on wartime credits to the U.S.S.R., as she has done for other countries.

Nothing extraordinary about these subjects of negotiation, it might have seemed—more particularly when Britain badly needed the food and the timber. Britain needs to import 3.4 million tons of grain annually: she gets 2.7 million tons under contract from Canada: and the Soviet offer was of 1 million tons in 1947 (half of it wheat), 1.5 million tons in 1948, and 2 million tons annually in 1949 and 1950. The Soviet Government also offered over 2 million cases annually of tinned salmon and tinned crab for the years 1947-1950. Finally, 53,000 standards of timber were to come from the U.S.S.R. this year, with a "substantial increase" in subsequent years. These offers, together with the British offers in return, might have seemed to the uninitiated the very application, at long last, of that unique provision of the Anglo-Soviet Treaty of May 26, 1942: "Article VI. The High Contracting Parties agree to render one another all possible economic assistance after the war."

Every other trade negotiation into which Great Britain has entered in the last two years has led to some measure of success; yet with the U.S.S.R. they were a failure. What were the reasons?

As usual where the U.S.S.R. is concerned, one has to begin by seeing, in spite of a dense cloud of newspaper misinformation, what were *not* the reasons.

One "explanation" has been that the U.S.S.R. is not interested in foreign trade, particularly with the countries of Western Europe; that it prefers to let them stew in their own juice, waiting for their "inevitable" economic crash. Writers advancing this point of view (and Mr. Bevin at the meeting of the Parliamentary Labour Party on August 11) must be relying on the ignorance of their audience. The Soviet Union has long-term and substantial post-war trade agreements with Sweden and Denmark (each for 5 years) which, it is true, aroused the ire of American big business in one case and of British importers

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in the other. It has a £3 million-a-side trade agreement with Norway as well, of course, as agreements with countries of Eastern Europe.

Moreover, Mr. J. H. Wilson, the Secretary for Overseas Trade, who was negotiating with Mikoyan, Soviet Minister for Foreign Trade, told the *News Chronicle* Correspondent (May 9): "It was clear that both of us were working on the prospect of a very big trade in the future." He told *Reuter* that his talks had already expedited the clearing of a £1,000,000 contract for British electrical equipment which had been negotiated in 1946, but held up over terms of payment and delivery. (*The Times*, May 10). And he informed the House of Commons on May 12 that the Soviet Government, despite the great wartime devastation of its timber industry, planned to have "steadily increasing supplies" available for export in the coming years and also "a very considerable disposable surplus of foodstuffs."

At this point another "explanation" of the breakdown appears: that the U.S.S.R., as a matter of fact, has very little to offer. Thus, the *Sunday Times* on July 20 wrote that "there is some fear that Russian commitments to her satellites may reduce the supply immediately available," and *The Times* on July 24 said the Russians "implied that they wished to keep wheat to spare for South-Eastern Europe." On July 27 the *Sunday Times* tried another tack, asserting that "there is reason to believe that the harvest in the Ukraine . . . has not been as abundant as Russian propaganda has made out. Russia may therefore have been genuinely unable to deliver the wheat, but preferred to bring about an impasse on any other pretext."

Unfortunately for these prophets—or wishful thinkers—the real and far-reaching offers made by the Soviet Government, mentioned at the beginning of this article, were published the very next day. During the Anglo-Soviet negotiations a trade agreement *was* arrived at between the U.S.S.R. and Czechoslovakia, under which 400,000 tons of grain are to be delivered to the latter in 1948; but, added *The Times* leading article significantly (July 28), "it is evident that the Czechs were able to offer engineering equipment of a type much needed by Russia." Moreover, again on July 28, Sir Stafford Cripps himself stated in the Commons that the Soviet Government had confirmed the 1947 harvest to be "a very good crop."

But the prices asked by the U.S.S.R. for its grain were "exorbitant," ran another rumour which had the freedom of the newspaper columns for several weeks, and the suggestion was freely made that this was the cause of the breakdown. "The Russians had insisted on a price for wheat which the British delegation was unable to accept" wrote *The Times* and the *News Chronicle* on July 23 in *identical words*, indicating thereby the official source of their information. "The Russians demanded a price for wheat which was above the Chicago price ($2.25 to $2.40 a bushel) and much above the Canadian price ($1.55 a bushel)", added *The Times* on July 26. The *Sunday Times* raised this story a little (July 27) by saying that the Russians were "asking for the maximum Chicago price ($2.40 a

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bushel)". By July 28 this had been toned down still further (in *The Times* leading article) to " a relatively high price."

In reality, even the original price asked by the Soviet negotiators ($2.60) was below that at which Britain had recently bought a large quantity of wheat in the Argentine (a fact which all commentators had " forgotten " to mention). When they brought their price down to $2.40, it was approximately equal to the Chicago price and substantially *lower* than the Canadian prices of some $2.60—as can be easily checked by anyone referring to the City columns of *The Times* for July. The price of $1.55 mentioned before, as the newspapers well knew, was an entirely special arrangement for this year made in consideration of other advantages given to Canada, and subject to revision later in 1947 (as *The Times* leading article made clear on July 28). In fact, however, as both Sir Stafford Cripps and a *TASS* statement confirmed that day, agreement was reached on the price of grain.

But here came yet a new explanation. " If we did pay $25 millions for the Russians' 1 million tons of grain, it would be a good deal more than we could make up in exports of goods that Russia wants. We should therefore have to make up the balance . . . in cash, which the Russians could convert into dollars." (*News Chronicle*, July 24). *The Times* gave identical explanations on July 26 and 29, adding that " the prospect of a drain of dollars caused anxiety." The other newspapers reported the situation in similar terms.

The official statement issued by *TASS*, July 28, put it rather more plainly, underlining an aspect slurred over in the British press:

" At the time that the Soviet side agreed to undertake fixed commitments of goods deliveries, the British side refused to undertake similar fixed commitments for the delivery of equipment for the lumber and oil industries, despite the fact that the value of the British deliveries was several times smaller than that of the Soviet deliveries.

" It is understandable that the Soviet side could not assume fixed delivery commitments without having a guarantee that the British Government on their part would ensure delivery to the Soviet Union of rails and pipes in the stated quantities."

But why should the value of British deliveries be so small? Why should the exports of British goods that Russia wants be so much less than what she could supply, after nearly half her collective farms had been destroyed in the war, nearly half her agricultural machinery smashed or stolen by the Germans, millions of her country people killed? Here we touch upon one of the deep and far-reaching causes of the breakdown; and the inspired propaganda of the press itself has revealed all too clearly what is wrong. On July 20 the *Sunday Times* wrote:

" Since the British mission was not a selling mission, there has been no discussion of what we are prepared to sell to the Russians, although they have made known many of their requirements. The British attitude was that the big Russian trade mission now in Britain was in a position to find out what we could supply, and to negotiate direct agreements with the trades concerned."

In other words, fixed obligations for the Russians, no fixed

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obligations for the British Government; the reason being that "the trades concerned," i.e., *the great capitalist monopoly firms*, must still be free to negotiate. Confirmation came in *The Times* leading article of July 28. Admitting that the Soviet Government had not been looking for sterling to convert into dollars, but only for specific commitments in regard to engineering material, it went on:

"The British Government have been prepared to exercise influence over the destination of exports, but have stopped short of compulsion."

In his statement on the negotiations to the House of Commons the same day, Sir Stafford Cripps also was careful to underline that agreement was only reached on the quantities "to be bought by Soviet importing organisations from British firms," and that a special Soviet mission was to come here "for the purpose of signing the necessary contracts with the firms concerned." *But that was to be no obligation that in fact the firms would supply what the U.S.S.R. wanted, or sign any contracts at all.*

The *Daily Telegraph* in its editorial on July 29, triumphantly underlined this point:

"The British Government (not yet having nationalised our whole economy) could not 'assume commitments' to supply goods for which contracts still had to be signed with British manufacturers."

Thus it was clear that the reason why there was no agreement is not that Britain was afraid of a dollar drain; that was a consequence, not a cause. Nor was it the still more irrelevant reason, advanced as an after-thought by *The Times* on July 28, that "British exports of this type are already profitably employed," and expanded by Mr. J. H. Wilson on August 5 into the following sob-stuff:

"We were not prepared to grant the orders over-riding priority either over essential home requirements, such as mining machinery and electrical generating equipment, or over export orders placed earlier for hard currency markets or for destinations where they would, as in the case of Soviet orders, assist the countries concerned to make available food and essential raw materials to this country."

It would, in passing, have been most interesting if Mr. Wilson had included a full list of such countries, so that we should know whether Fascist Spain was among them. And one might really suppose, from the unctuous reference to home requirements, that new machinery and equipment were pouring into our mines and factories. But the point which this typical higher Civil Service three-card-trick evaded was that "over-riding priority" was not asked for or necessary, *if the Labour Government had been interested in developing trade with the U.S.S.R.*

For, as the Parliamentary debate on August 11 abundantly revealed, the Government had ample powers to *direct* firms on what they were to manufacture and on what to sign contracts for with the U.S.S.R. It was the will that was lacking, not the power; the whole labour majority in Parliament, the whole labour movement throughout the country would have supported their action. Why shouldn't they?

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After all, the Labour Party in its election manifesto, two years ago, proclaimed that it would keep "a firm and constructive hand on our whole productive machinery," that it would "put the community first and the sectional interests of private business after": that it would deal "decisively with those interests which would use high-sounding talk about economic freedom to cloak their determination to put themselves and their wishes above those of the whole nation": that the iron and steel industry was one of the three basic groups "ripe and over-ripe for public ownership and management in the direct service of the nation": and that, particularly in the export trade, "laggards and obstructionists must be led or directed into better ways."

These are the proclaimed objectives and these the powers, which have been deliberately and of set purpose flouted and ignored by the Government in its trade talks with the U.S.S.R. And the other point on which negotiations broke down only illustrates the same issue, with blinding clarity. We may quote here from the *TASS* statement of July 28, since there is no dispute on either side about its essential facts:

"On the question of changing the 1941 credit terms, the Soviet proposal consisted in reducing the interest rate on credits to one-half (½) per cent. per annum and in prolonging payments to 15 years, to begin at the end of the fourth year and to be made in equal annual shares: *that is, granting the Soviet Union terms on the wartime credits not inferior to those which Great Britain granted not long ago to France, when prolonging her wartime loan.*

"The British side refused to accept the compromise proposal of the Soviet side on this question.

"To reach agreement, the Soviet side withdrew its proposal regarding prolongation of the credits already granted, and proposed to prolong only half the sum, agreeing to preserve the former terms of settlement for the other half.

"The British side rejected this proposal as well, and proposed prolonging one quarter of the credits, which was obviously unacceptable to the Soviet side."

Twice, when reporting this side of the negotiations to the House of Commons on July 28, Sir Stafford Cripps spoke of the "heavy cost" and "heavy loss" in which Britain would have been involved, had the Soviet offer to wait for payment over a longer period—coming from a country ravaged in a way undreamed of here—been accepted. When he was pressed to say what this "loss" would amount to, he couldn't say. Meanwhile, the Foreign Office and Board of Trade propagandists had been busy preparing the public mind for some horrific figure. On their authority, *The Times* had stated darkly (July 12) that Mr. Wilson's offer "represents the furthest to which His Majesty's Government can go in view of Britain's present financial position oversea." Visions of the £130 millions sent down the drain in Greece, of the scores of millions wasted in Germany and Palestine, of the £50 millions allowed to go into the German black market through illicit deals by the troops . . .! And indeed the *Sunday Times* (its information coming from the same sources) boldly announced on July 27 that the loss would have been "not less than £18,000,000."

Only on August 5, in a reply not published by a single newspaper except the *Daily Worker*, did the Chancellor of the Exchequer tell

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Mr. J. Scollan, M.P., that "*the total cost of accepting the Soviet proposal to reduce the interest on the 1941 credit to ½% would be £4 millions over the whole period.*"

We are asked to believe that it was on account of these £4 millions that the trade negotiations broke down. To state such a proposition, after all that is known of British overseas expenditure, is to expose it. Obviously the Government didn't want the negotiations to succeed; that is the obvious conclusion which follows, both from this latest excuse thought out by the skilled drafters of Parliamentary answers at the Board of Trade and the Foreign Office and from the other numerous falsehoods, put out from the same sources, which have been reviewed earlier.

And why shouldn't the Labour Government want the negotiations with the U.S.S.R. to succeed; why should they make common cause on this matter with the great monopolists, "not yet having nationalised our whole economy"? The answer lies in the whole direction of British foreign policy since 1944: the suppression of the Greek people and the clamping of a Fascist dictatorship on them by British arms: the sabotaging of denazification and of heavy industry reparations from the Western Zones of Germany: the violent hostility to the popular regimes in the Balkans and Eastern Europe who have ruthlessly broken the power of the old feudal and quisling classes in their respective countries: and now the "Marshall Plan," in loyal subservience to Wall Street, to rebuild big industrial monopoly in the Ruhr—a present to German capitalism for its future war of revenge. The Labour Government believes it is possible to buy capitalist agreement to social reform at home by backing the interests of British monopoly capital abroad.

The British people have already paid a heavy price for this policy. The thwarted Anglo-Soviet trade agreement is one more item on the bill. It will grow longer still, unless the Labour movement resolutely steps in. It did so successfully in 1924, when the minority Labour Government of Ramsay MacDonald had brought Anglo-Soviet trade and financial negotiations to a dead end. Today there is no longer the danger of losing Liberal support and the Government being overthrown as in 1924. Today there is a strong Labour majority, in Parliament and in the country: there are the clear election pledges of 1945 and there is the growing danger to Anglo-Soviet relations and to world reconstruction and security, if the Attlee-Bevin policy of enmity to the U.S.S.R. is allowed to continue.

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We print the second portion of Professor Varga's article, with some abridgement of the historical material.—Ed. L.M.

DEMOCRACY OF A NEW TYPE (ii)

By EUGENE VARGA

ALTHOUGH the same social order exists in all the countries of democracy of a new type, there are differences of no little importance, conditioned historically in both economy and policy . . .

This applies particularly to the national policy of the States under review. It might seem that in this sphere a sharp contradiction exists between the policy of Yugoslavia, on the one hand, and that of Czechoslovakia and Poland on the other (Bulgaria is almost united as regards its national composition). Czechoslovakia and Poland expelled to Germany almost all the Germans who previously lived on the present territory of their countries. In Yugoslavia all nations have equal rights and it is a federation of various nationalities. This contradiction, however, is only a seeming contradiction. In Yugoslavia it is a question of nations which (torn from their common Slav nationality) were oppressed by the Germans and fought against the invaders. During the war they belonged to one camp.

At the same time the Germans in the Sudeten region and Poland were a tool of Hitler fascism even before the war. They openly betrayed the country of which they were citizens. During the world war they fought on the side of Hitler against their motherland. It is comprehensible that, with this experience in mind, the Czechoslovak and Polish peoples have no desire to expose themselves to a possible danger by keeping these treacherous elements in their countries. The complete equality of rights of Slovaks and Czechs in Czechoslovakia clearly demonstrates the nature of its national policy, based on historical experience.

On the completion of the expulsion of Germans and the voluntary migration of Ukrainians from Poland to the Soviet Union (and Poles from the Soviet Union to Poland) the national composition of the States of the new democracy will be as follows: Bulgaria and Poland will be almost completely homogeneous as regards national composition. Czechoslovakia will consist of two nations with equal rights (probably with a Hungarian minority, which the population unwillingly accepts). Yugoslavia, on the other hand, is a federation of equal nations. This national policy of the new Yugoslavia is particularly important for the prosperity of the country and friendship among the peoples living on its territory, because its pre-war regime left behind an extremely unfavourable heritage in this respect. Although the country was called Yugoslavia, i.e., the land of southern Slavs, it was the Serbian bourgeoisie which exercised actual domination and oppressed the other peoples. Precisely for this reason everything which

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in the slightest degree could be interpreted to mean a continuation of the pre-war Serbian policy of oppression was deleted from the Constitution and practice of the new Yugoslavia.

There remains in Yugoslavia a small German (and Magyar) minority. Since Yugoslavia, however, has no common frontier with Germany, and its regime is politically extremely stable, it can, unlike Czechoslovakia and Poland, safely leave this minority in its country.

* * *

All the states of democracy of a new type are People's Republics: the working people determine the policy of the government. The form which the political rule of the workers takes is not, however, the same in each case. Czechoslovakia, Poland and Bulgaria are parliamentary republics with universal, equal and secret electoral rights. The governments in these countries are made up of coalition parties forming a majority and are responsible to parliament. Their electoral rights differ from the suffrage in the old bourgeois democracies, in that fascist parties are not allowed to operate and fascist traitors have no electoral rights. At the same time Yugoslavia is a federative republic, its Constitution being similar in many ways to that of the Soviet Union.

In this connection an important theoretical question arises: the idea was widely held in the Communist parties that the political domination of the working people, as is the case in the Soviet Union, could only be realised in the form of Soviet power. This is not correct, nor is it an expression of Lenin's opinion.

In my book on the Hungarian Soviet republic, *Economic-political Problems of Proletarian Dictatorship,* published in 1920, I wrote the following phrase:

"The hostility of the prosperous peasants and all strata of the ruling classes towards the proletarian state does not depend on the form the latter takes: whether this system is Soviet, a government of trade unions or a parliament with a Labour majority—this is all the same to the ruling classes. They will offer equally strong resistance to whatever form is assumed, once serious steps are taken to build up socialist economy."

This phrase which allows of the possibility of other forms of political rule by the working people was regarded by a number of comrades as incorrect. Lenin, however, who made sharp notes of criticism in the margins of some pages of my book, made no remarks at all concerning the phrase quoted above, but merely underlined part of it (see *Lenin Symposium,* Vol. VII, p. 371, Russ. Ed.).

The rise of the states of new democracy shows clearly that it is possible to have political rule by the working people even while the outward forms of parliamentary democracy are still maintained.

* * *

The foreign policy of the States of new democracy is determined by the transitional character of their social order. It is owing to their social order that the capitalist States, primarily the United States of America and Britain, do everything in their power not only to hinder

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the progressive social development of these countries but to throw them back and once more convert them into ordinary capitalist States. This effort becomes all the stronger on account of the fact that the present State system of these countries excludes the possibility of their once more becoming economically dependent countries as they were before the war in relation to Germany. It is this which explains facts in the daily press which are all too well known to the reader: the repeated attempts at interference in the internal affairs of these countries, the hullabaloo about the absence of democracy because reactionary plotting is severely dealt with, attempts to discredit the elections, support of every display of opposition, i.e., of all reactionary (in the present historical situation) and objectively counter-revolutionary parties and politicians, etc. The intensity of these attempts at interference differs in relation to the different countries. It is relatively weak in relation to Czechoslovakia, because the bourgeoisie there are so discredited by their collaboration with the German fascists that they cannot, at least for the present, act openly as a political force and foreign reaction is deprived, therefore, of internal support. The democratic character of Czechoslovakia, therefore, cannot be disputed. In Poland, where Mikolajczyk's Peasant Party serves as the chief legal centre of reactionary forces inside the country and a bulwark for foreign reaction, attempts at interference assume the most intense character. One of the chief tasks of the foreign policy of these countries, therefore, is to protect their political conquests at home and their new social system from all these attacks.

It can be understood from these circumstances why the States mentioned maintain the closest friendly relations among themselves and render each other economic and political aid. Of the States mentioned, Yugoslavia and Bulgaria, on the one hand, and Czechoslovakia and Poland on the other, have common frontiers which facilitate their economic ties. (There are two countries—Hungary and Rumania—between these two groups of states, which, although at the present time not belonging to the countries of democracy of a new type, are clearly developing in this direction).

It is equally understandable that these countries maintain close, friendly relations with the Soviet Union. This is so not only because it was precisely the victorious troops of the Soviet Union that liberated their countries (Yugoslavia being, in part, an exception) from German occupation, and not only because they are all Slav states, but primarily because the present social order brings them close to the Soviet Union, because of all the great powers the Soviet Union alone is interested in the maintenance and further progressive development of the social order and political regime existing in these countries and can afford them diplomatic support against the reactionary offensive from outside.

The Soviet Union is at the same time interested in the maintenance by these countries of the existing regime and their further development

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in a progressive direction. The present regime in these countries provides the guarantee that they will not, in the future, again voluntarily serve as a place d'armes for any power which tries to attack the Soviet Union. For this reason the Soviet Union is interested in these States being as strong as possible in the economic, political and military sense, in order that they may defend themselves against foreign attack at least until such time as the Soviet armies can come to their aid and so avert their forcible conversion into a military place d'armes against the Soviet Union, as happened during the second World War.

This situation signifies that the States of democracy of the new type are the junction of the post-war struggle of two systems. It was not for nothing that during the war Churchill frequently called for the opening of a Second Front in the Balkans instead of a genuine Second Front in the West, in order that, by the end of the war, British armed forces would be on the spot to safeguard the old order. But these proposals were rejected by Roosevelt and Stalin as being incorrect from the military viewpoint.

All this points to the extremely close interweaving of home and foreign policy at the present stage of the general crisis of capitalism.

MALAYA: FUTURE OF RUBBER

By NEIL STEWART

PRIOR to 1941 British interests created a world monopoly in the production and sale of rubber. The base for this monopoly was Malaya, which produced 40 per cent. of world supplies. The Dutch East Indies, the second largest producer, came within the British sphere of influence, as did the Ceylon, Siam and French Indo-China plantations. The International Rubber Regulation Committee, which fixed prices and allotted quotas, was dominated also by Britain.

Rubber was a battlefield in British-American imperial rivalry. While Britain dominated production, America was the biggest consumer and found herself in the humiliating position of having to pay Britain in dollars for the largest part of her rubber. Of over half a million tons needed annually before the war, less than 40,000 tons came from the American-controlled plantations in Liberia and South America.

The business lay-out of the British rubber empire was complex. On the highest levels, however, it was under the control of the biggest City interests. Malayan plantations were part of the great British plantation interests that spread over South East Asia and Ceylon. Rubber fell roughly into two groups. In the minor group were the great rubber-consuming firms, who cultivated their own plantations with the intention of supplying part of their own needs. A subsidiary

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of Dunlop's, for example, with a capital of £2,700,000, owned 92,000 acres in Malaya. Most of the big American tyre manufacturers possessed their own plantations either in Malaya or in the Indies.

The majority of plantations were run by managing agencies, who themselves often had considerable financial interests in the Eastern trade. The bigger agencies fell under the influence of one or other of the large British exchange banks which operate British trade in the East. On the board of directors of the Chartered Bank of India, for example, were two directors of the firm of R. G. Shaw, who are among other things agents for thirteen plantation companies with a total issued capital of over £2 millions. Also on the board was a director of Boustead & Co., another important managing agency. Through its directors the Chartered Bank is connected with other shipping, plantation and trading interests, and indirectly with the Rubber Estate Agency, manager of thirty-one plantations, with a capital of £3,688,000, six mining companies and four financial trusts.

The Mercantile Bank of India also has considerable rubber interests. One of its directors, Sir John Hay, is chairman of Gutheries and Co., managing agents for forty-seven plantation and mining companies in Malaya and the Netherland Indies. The total issued capital of the plantations alone is £5,931,000. The Mercantile Bank is not only connected with Malaya, but with various Ceylon plantations, the great Indian managing agency firm of Andrew Yule, and with Vickers.

The managing agencies do not merely act as agents, but also as buyers, bankers, importers and exporters, manufacturers' representatives and in almost any function connected with business. While the Chartered Bank and the Mercantile Bank control the most important groups, there are many other firms of lesser degree which share in the exploitation of Malaya.

The biggest firm outside the control of the banks is Harrison and Crossfield, an old and enormous Quaker concern established shortly after the demise of the East India Company. This has issued capital and reserves of £2,500,000. The total issued capital of the forty odd plantations for which the firm is manager equals £11,430,000. Malaya is only part of its sphere, which embraces Australia, Borneo, China and Canada. The directors of Harrison's sit on the boards of fifty-six companies, mainly connected with plantations or plantation finance.

The connection between rubber, other plantation and mining interests and British banks and industrial concerns is very close. Sir Clive Baillieu, for example, is a director of Dunlops, Imperial Smelting, the Midland Bank and the English, Australian and Scottish Bank. Two directors of Dunlops are also directors of the *Daily Mail* and General Trust. Mr. F. D. Ascoli, director of Dunlop Malayan Plantations, was Controller and later Director of Rubber at the Ministry of Supply during the war, and as Chairman of the Institute of the Rubber Industry and vice-chairman of the Rubber Growers Association is one of the most vocal propagandists on behalf of the

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rubber industry. Mr. J. I. Spens, head of the Industrial Division of the Ministry of Production during the war, is a director of two subsidiaries of R. G. Shaw & Co., as well as London Tin and other mining companies interested in South East Asia, and of the great United Steel Co. His brother, Colonel H. B. Spens, is a director of Burma Oil and many other companies. Sir J. B. Lloyd, also a director of R. G. Shaw, is on the board of Anglo-Iranian Oil and twenty-four other companies. Mr. J. L. Milne, director of R. G. Shaw, is a director of the Chartered Bank of India and twenty-five other companies, including some owning plantations in Malaya, Java, Ceylon and India.

We find that at a fairly low level the Malaya rubber interests are closely connected with the British mining, plantation, finance and trade interests in South East Asia, Ceylon and India. On the higher levels they are integrated with the biggest finance-capital circles of the City of London.

A very large amount of capital is tied up in natural rubber production. In 1936 the issued capital of British plantation companies in Malaya was £55 millions. Some authorities put the total British investments in plantations in all areas at about £200 millions. This was perhaps excessive. Mr. P. Noel-Baker stated in the House of Commons (22.11.45) that the cost of bringing a rubber plantation to productivity was about £55-£60 per acre. By this method he estimated the value, apart from the issued capital, of plantations in Malaya at about £120 millions, and of British rubber interests in Indonesia at about £30 millions.

What is the position of the British rubber empire today?

The strategic value of the British rubber monopoly was even greater than its value in terms of money. Combined with the tin monopoly it held America to ransom annually for many millions of dollars. It was one of the pillars of the British financial empire, and one which the Americans took the opportunity, as a result of the war, to undermine.

When Malaya was liberated it was found that the damage to the estates was far less than had been feared. Production recovered very rapidly, especially among the smallholders. Although the political situation in Indo-China, Siam and Indonesia was obscure, quite large amounts of rubber still became available from these sources. In the last half of 1946, 16,000 tons a month were leaving Indonesia, and Malayan production in 1946 was 403,000 tons, or two-thirds of the 1941 figure.

At first all rubber dealings had to be done through the Government trading agency. This policy came under criticism from London rubber interests, who alleged that prices had been kept down in subservience to American pressure. Mr. L. D. Gammans, Conservative M.P. for Hornsey, suggested that the rubber-selling unit despatched to the United States had been put under political pressure:

"I imagine that when this rubber-selling unit was in America they were

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told by the Government: 'Do not press the Americans too hard. Do not annoy them or we may not get the Loan, or we may find them sticky over food, or difficult over the problem of Palestine.'" (*Hansard*, 9.7.46).

Faced with the possibility of a fall in the price of rubber the Government abandoned state buying, re-opened the free London Rubber Market, and sold to America at 1/- a pound 200,000 tons of rubber that it had bought at 1/2 a pound.

America, where £200 millions had been invested in synthetic rubber plants, was determined not to return to the old pre-war bondage. Synthetic production—740,000 tons in 1946—was kept at a high level. The wartime order (R.I.) stipulating the amount of synthetic rubber to be combined with natural in the manufacture of rubber goods was kept in force, despite the preference of the consumer for natural rubber; with the result that the 1946 statistics show that synthetic totalled 73 per cent. of the year's consumption, while in Britain 75 per cent. of natural was used. Despite the low price of synthetic the experts say it cannot at present compete in quality with natural rubber in tyre manufacture, and that if all controls were lifted imports would increase considerably. The result of this policy was a fall in price by one-third of natural rubber during May, 1947. There was a violent outcry in Malaya, where planters were caught between the falling prices and the demands of the plantation workers for more than a starvation wage. The possibility of the bankruptcy of the plantations was mooted, and British policy towards the U.S.A. was violently criticised.

The American policy of restricting natural rubber imports has been dictated by a number of reasons. The official excuse is that the plants must be kept going for reasons of national security, as there is no natural rubber in the U.S.A. The unofficial reasons are that the large capital investment would be lost if production was reduced; and, most important, that the U.S.A. has no intention of allowing Britain to regain her old position as rubber monopolist. While the U.S.A. is willing to lend dollars for a consideration she does not mean to permit Britain to acquire any large sums by "normal" channels of trade. The Americans are well aware that under present circumstances a free trade in rubber would greatly increase natural rubber imports. This was pointed out by Truman in his February speech to Congress, when he said:

"With an adequate world supply of natural rubber and a free choice of materials by industry the use of synthetic rubber in the United States might fall substantially below the permanent production goals considered to be the minimum for the needs of national security."

There was remarkably little reaction in London to American policy. *The Times* City correspondent wrote:

"The preoccupation of the United States with her synthetic rubber production to the detriment of Malaya's natural rubber is a subject of which most British spokesmen—as with other American policies with which they profoundly disagree—preserve a respectful reticence." (17.7.47).

On July 15th, however, Sir John Hay, head of Gutheries, Ltd.,

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violently attacked American policy in a statement dealing with the accounts of the Sua Betong Rubber Estates, of which he is chairman. This was the first time that a representative of British business interests had openly attacked the current subservience to the U.S.A. He said:

"We are all by now only too painfully aware of the dollar crisis. It is no longer a matter which concerns only those whose business is to deal with the problems of international trade. It pervades our whole economy. It enters into the direction and conduct of every phase of business. It determines what we shall eat, what we shall drink, and wherewithal we shall be clothed . . . When the rubber problem is set in this larger context it surely becomes evident that if the discriminatory practices now in force in the U.S.A. are continued they will be productive of serious consequences extending far beyond far-distant Malaya."

The future of the British rubber empire is at present not very clear. Although in Malaya the native smallholders can still produce at the present price, the plantations, with their big overheads and rising labour costs, are faced with bankruptcy. The *Straits Times* (25.5.47), reporting a meeting in Kuala Lumpur of planters and dealers, said:

"Rubber circles here consider that any action that has to be taken must be immediate in view of the immense seriousness of the rubber price slump in the industry in the country. Something must be done immediately to stop the price decline. At least ninety-five per cent. of the estates will not be paying their way under the present price."

It is possible that American policy, combined with the development of an economic "recession," might see the end of the big rubber plantations. Only the smallholders could continue to produce if prices were to fall further. The planting interests, therefore, wish to solve the problem in one or other of the following ways: bringing pressure on the home government to influence American policy; receiving a state subsidy to keep up prices; replanting, at considerable capital outlay, with higher-yielding trees; attacking the Malay trade unions and bringing down wages and the workers' standard of living.

From the present state of the rubber interests we may arrive at the following conclusions: the American economic war against the British Empire, carried on concurrently, and with equal vigour, to the American political war against the Soviet Union, is coming more and more into the open. The fall in the rubber prices is only the first victory to be announced. There will be more to follow. American imperialism has no intention of allowing the re-emergence of the great raw-material monopolies that were, before the war, the stoutest bulwarks of the City of London.

The Editor of LABOUR MONTHLY *will be very glad to receive contributions in the form of finished articles or of suggestions and data for articles. The customary proviso must be made that no responsibility is undertaken for manuscripts sent to him nor can he promise to enter into any correspondence regarding contributions not accepted.*

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W. H. THOMPSON

W. H. THOMPSON, who died on 4th August at the age of 62, was one of the most valued supporters and contributors of the Labour Monthly. He was a unique figure in the British Labour Movement.

As a steadfast opponent of the Imperialist war of 1914-18 Harry Thompson knew the inside of a prison for over two years. This experience gave him something not shared by any other reputable solicitor in Britain. He came to London after 1918 and from the beginning he set all his professional skill at the service of the working class and its organisations.

It was not long before his special talent as legal adviser was widely recognised by the trade unions, while in the Labour Party his powers as speaker and organizer attracted an attention that would have made it easy for him to attain high office.

But Thompson was cast in a different mould from the political climbers. He would not depart from what he believed to be socialist principles: and preferred to help in necessary activities that the leaders of his party ignored or contemned. Thus he became the Executive Chairman and guide of the National Council for Civil Liberties. He was earlier an Executive member of the Labour Research Department to which he contributed some of its most widely read publications. At the historic Labour Monthly Conference of February, 1940, in the midst of anti-Soviet frenzy over Finland, it was W. H. Thompson who presided.

He was distinctive within the Labour Party by his outspoken refusal to recite the shibboleths of anti-communism. Often though he differed from the Communists, he never failed to lend his aid at times of difficulty. Thus both in 1921 and in 1926, when endeavours were made to suppress the Communist Party, Thompson took up the legal defence—as he did in hundreds of cases where persecution of strikers by a prejudiced and unscrupulous officialdom required a defender of high courage and high principle. In the long history of the British Labour Movement, there are only two outstanding solicitors, W. P. Roberts, who defended the Chartists and the early Trade Union fighters, and W. H. Thompson, who did as much, perhaps even more, for their successors in the present century.

Thompson specialized in Workmen's Compensation. He did more than anyone else to make this a burning question for over twenty years, both by his skilful handling of difficult cases and by his persistent agitation for an alteration of the law. On principle he never handled a case for an employer or an employer's organisation against a workman or against a Trade Union. In this branch of law he had an unexcelled experience and knowledge, while in his personal conduct of cases he was a peerless fighter. There are many widows and disabled men in Britain who owe what compensation they have to the fighting qualities of Harry Thompson. His hatred of the shabby treatment of injured workmen was part of his deep hatred for Capitalism, and of his loathing for the corruption which Capitalism bred even inside the Labour Movement.

R. P. A.

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NOTES OF THE MONTH

(Continued from page 264)

Dominions and the empire countries, in close association with the Soviet Union and the European democracies striving to build their planned economies, whose combined resources can rapidly assist the solution of the problems of each country, and provide the most favourable conditions for negotiating terms of economic co-operation with the United States such as to exclude political interference or economic domination. At home it is necessary to use the Government's new emergency powers without hesitation to establish effective control of productive resources for an overall economic plan, with concentration on the basic industries and agriculture and extension of capital equipment, limitation of profits and cutting of luxury spending, the black market and waste labour, and winning of the full all-out co-operation of the workers by a programme and policy which visibly places the interests of the productive workers before all parasitic interests. The lines of such a programme can be studied in Harry Pollitt's "Looking Ahead," just published on behalf of the Communist Party—which, though written before the present deepened emergency, only takes on added force and significance in the light of present necessities.

Political Changes

The fulfilment of such a policy will require political changes in the Government. As the present crisis develops, it inevitably brings into the forefront the question of the reorganisation of the Government. Toryism, its gaze rooted in the past, dreams of 1931 and the return to power by foreign intervention. The manœuvres of Toryism must be defeated. But they can be defeated only if the labour movement learns the lessons of the crisis and carries through the necessary changes in policy and leading personnel to fulfil the requirements of national leadership in the crisis. Under the deepening pressure of the crisis the political alignment can only move either to the Right or to the Left. The mood of the nation and the urgent necessities of the crisis demand that the re-alignment should be to the Left. The achievement of this depends on the capacity of the vital left wing and progressive forces of the labour movement to hammer out a common policy and a common drive. There is no place for anti-Communism or sectional feuds in the present emergency. The aim of the hour must be to arouse such an awakening in the labour movement as will compel the necessary changes in policy and the corresponding reorganisation of the Government so that it shall no longer be weighed down by subservience to Toryism, but, on the basis of the leadership of all the united progressive forces of the labour movement, shall be capable of arousing confidence and giving leadership to the nation for the recovery of Britain.

August 20, 1947. R. P. D.

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Book Review

Thirty Years Ago

The History of the Civil War in the U.S.S.R., Vol. II—October to November, 1917; edited by Stalin, Molotov and others. (Lawrence & Wishart, pp. 652, 15s.)

Here at last is the authentic detailed history of the great proletarian revolution of October, 1917. Whereas Volume I, published eight years ago, dealt with the eight months from the Tsar's abdication in the early spring of 1917, while later volumes will cover five years to the end of the Civil War in 1922, this volume deals solely with that one month of October, the greatest month in the world history of the working class. It tells how the crisis ripened, recounts "the organisation of the assault" in every part of that vast country, and then describes with a wealth of new material the actual insurrection and the victory over the anti-Soviet mutiny.

Read this volume and see how the Bolshevik Party carried on its work, the difficulties it had to overcome. After the July Days in 1917 (when the Provisional Government attacked the workers' demonstrations in Petrograd) Lenin, whose life was in constant peril, had to go into hiding near a wayside station, many miles away.

> "Beyond the station on the banks of a small lake, there was a secluded glade. . . A few haymakers lived close by, and disguised as one of these and provided with an identity card made out to 'Constantine Petrovich Manov' Lenin removed to this place. Friends hollowed out a hayrick, converting it into a kind of shack, and this served as Lenin's dwelling" (p. 14).

But he succeeded in keeping close contact with the Party leaders, at the head of whom was Joseph Stalin, and in a series of letters showed how the work should be conducted to ensure the fulfilment of the revolution, and with that fulfilment the saving of Russia from complete collapse and vassalage to the capitalists of Europe.

Between September 12 and 14, Lenin wrote two letters of instructions to the Central Committee, the Petrograd Committee and the Moscow Committee of the Bolshevik Party, in which he stated:—

"Having obtained a majority in the Soviets of Workers and Soldiers' Deputies in both capitals, the Bolsheviks can and must take political power into their own hands."

With exceptional lucidity he explained why insurrection had appeared on the order of the day precisely at that moment:—

"To be successful, insurrection must be based not on a conspiracy, not on a party, but on the advanced class. This is the first point. Insurrection must be based on the revolutionary upsurge of the people. This is the second point. Insurrection must be based on that *turning point* in the history of the maturing revolution, when the activity of the vanguard of the people is at its height, and when there is most *vacillation* in the ranks of the enemies and in the *ranks of the weak, half-hearted irresolute friends of the revolution*" (p. 23).

Directions from the centre were sent out to all parts of Russia. In this volume we follow them going into one area after another and see how they were received and how they were acted upon. There we do not see so much of glamour and romance, but work, hard work, under the greatest difficulty; often faced with the greatest danger on the part of innumerable party members and non-party workers. Out of this work minorities in the Soviet are turned into effective majorities, and the "Social Democrats," feeling their power slipping, go scurrying to the High Command of the Army for aid. But the High Command is as helpless as the "Social Democrats," for work, hard work, has gone on in the Army as well as among the workers and peasants.

Take an example from the Ukraine, on page 127, but which can be applied to every other area of the Soviet Union:—

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"When the Provisional Government tried to disarm the workers after the suppression of the Kornilov mutiny, it met with mass resistance which had been organised by the Bolshevik P. P. Dobroselsky. The Kharkov Gubernia Commissar of the Provisional Government, acting on Kerensky's orders, wanted to dissolve the Revolutionary Committees which had been set up at the time of the Kornilov mutiny, but he failed. At a meeting of the Kharkov Soviet, Kerensky's Commissar was opposed by N. Rudnyev, the Commander of a Company of the 30th Regiment, and one of the leaders of the Kharkov Military Organisation of the Party and of the Red Guard. Rudnyev succeeded in transforming the 30th Regiment into a Bolshevik stronghold. The soldiers of this regiment said, 'We are all Bolsheviks.' Nikolai Rudnyev died like a hero fighting the Whiteguard Cossacks near Tsaritsyn in 1918" (p. 127).

Yes, in all parts of Russia this same activity was going on and with his hand on every lever, directing the greatest Revolution in the History of the World, was J. M. Sverdlov of whom Lenin said:

"Sverdlov's wonderful organising talent was cultivated in the course of a long struggle . . . . This leader of the proletarian revolution himself forged every one of his wonderful qualities as a great revolutionary" (p. 595).

When the transfer of power took place, there was practically a bloodless revolution. Never in the history of the world had there been such a fundamental change of society—never a change in society carried through with so little suffering. But the reaction would not accept the decision of history. "It cannot be true that we are ousted from our positions of power and privilege, never to get back any more." The "Social Democrats" wailed along with them "It cannot be true that we are no longer Ministers and may never be Ministers any more." These Bolsheviks could not hold power. Damned upstarts, that's what they are. But we'll show them. We'll gather our forces and wipe them off the face of the earth. What they failed to see, what they were incapable of seeing, was that it was the workers, led by the Bolsheviks, who had seized power. The workers in the factories, the workers in the Army; and before the Kornilovs, Kerenskies and Lieber-Dans could wipe out the Bolsheviks they had to wipe out the working class. An impossible task, as they found out when the truth was hammered into them by shattering blow after shattering blow, when they advanced on Petrograd.

Today the Kornilovs of America, supported by the "Social Democrats" in Britain, seek to carry through a world counter-revolution. They have opened a ferocious campaign against the Soviet Union and the new democratic States of Europe. At the same time they launch the vilest abuse and prepare the most unscrupulous measures against the Communist Party of America. They will fail as

Publications Received

BOOKS

Geneva. Cymbeline Refinished. Good King Charles. By G. B. Shaw (Constable, 17s 6d, 234 pp.).
China's Destiny by Chiang Kai-Shek. Notes and Commenary by Philip Jaffe (Roy Publishers, New York, $3.50, 346 pp.).
The Common People 1746-1946 by G. D. H. Cole and Raymond Postgate (Methuen, 10s 6d, 742 pp.).
The British General Election of 1945 by R. B. McCallum and Alison Readman (O.U.P. (Cumberlege), 18s, 311 pp.).
Human Nature: the Marxian View by Vernon Venable (Dennis Dobson, 10s 6d, 217 and xxvi pp.).
Bevin Boy by Derek Agnew (Allen & Unwin, 7s 6d, 140 pp.).
The Between-War World by J. Hampden Jackson (Gollancz, 10s 6d, 472 pp.).
British Trade Unions by N. Barou (Gollancz, 7s 6d, 271 pp.).
A Planned Auxiliary Language by H. Jacob (Dennis Dobson, 10s 6d, 160 pp.).
The Vital Flame by Compton Mackenzie (Fredk. Muller, 12s 6d, 88 pp.).
The Decline of the Roman Empire in the West by F. W. Walbank (Cobbett Press, 7s 6d, 97 pp.).

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the Kornilovs and "Social Democrats" of Russia failed. Not even in America will they succeed. Though the Party in America is not deep-rooted in the masses, nevertheless it is of the masses and arises out of the needs of the masses. To destroy Communism in America they would have to destroy the masses. To destroy Socialism in Europe they would have to destroy practically the whole population of Europe. It is not practical politics; it is a nightmare of madmen, who see their power and privilege being wrenched from their hands. The experience of the great October Revolution, the experience of the war against Fascism and the mighty liberation forces that were unloosed throughout Europe and the Far East, signal the last great fight for the emancipation of the human race. In that fight the proletariat will not falter. Despite the brutal violence that can still be wielded by American reaction and the subservient folly of the "Social Democrats" we will press forward, inspired by the October Revolution and its heroic defeat of the counter-revolution, to the realisation of our great and final aim.

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"The history of nations knows not a few revolutions. But these revolutions differ from the October Revolution in that they were one-sided revolutions. One form of exploitation of the working people was replaced by another form of exploitation; but exploitation, as such, remained. One set of exploiters and oppressors was replaced by another set of exploiters and oppressors; but exploiters and oppressors, as such, remained. Only the October Revolution set itself the aim of abolishing *all* exploitation and of eliminating *all* exploiters and oppressors."

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